

CR 27 NO

5061 1230 90 122 - \$10,00

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant: Alleman

) Examiner: Matar

Serial No.: 08/798/115

) Group Art Unit: 2742

Parent Serial No.: 08/252,984

) PETITION TO THE COMMISSIONER

Filed: 02/12/97

) RECEIVED

1 JAN 12 1998

GROUP 2300

Hon. Commissioner of Patents
and Trademarks
Washington, D.C. 20231

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Under the provisions of 37 C. F. R. 1.181(a)(3), Paragon Services International, Inc. ("Paragon") hereby petitions the Commissioner of Patents and Trademarks to exercise his supervisory authority in the above identified application.

Paragon is the owner of the application, and has been seeking patent protection for the invention of international callback for over five years. International callback is a system of reducing the cost of long distance telephone calls by replacing calls made by subscribers in high cost jurisdictions with calls originating in a low cost jurisdiction. For example, if a resident of Italy desires to call a person in Argentina, the cost of the call is very high using the Italian telephone system as originator. If the resident of Italy subscribes to the service of a user of the Alleman invention, he dials a direct inward dial line assigned to the subscriber by the service, and hangs up before there is a completion of a toll call to the service. The service automatically calls back the subscriber in Italy using a trunk originating in the United States, which costs less than

01/14/1998 NPEOPLES 00000121 08798115
01 FC:122 half the cost of 130.00 in the opposite direction, from Italy to the United States. The

Italian resident then dials the number in Argentina, and the service engages another

trunk line for the call originating in the United States and going to Argentina, then bridges the two lines to connect the Italian party with the Argentinean party. The total cost is substantially less than the cost of a call from Italy to Argentina.

International callback has been enormously successful. As shown by the news release of TeleGeography, Inc. dated October 24, 1997, copy attached, the world's cross-border telephone traffic increased 13 percent in 1996, compared to 1995. The U.S. market grew 20 percent in 1996. "Resale in the U.S. accounted for one in three international minutes" out of "70 billion minutes in 1996," worth "\$61 billion," according to the news release. Paragon believes that most of these resale minutes use the invention of the above identified application. The gross income from users of the invention is measured in the billions of dollars annually.

An application was filed to protect the Alleman invention on April 24, 1992. That application was assigned to Paragon. Examiner Matar was the Examiner to whom the Alleman application was assigned. He rejected all claims in August, 1993, on the ground that the invention was obvious to a person of ordinary skill in view of a patent to Kahn. The Examiner acknowledged that the Kahn reference did not have all of the claimed limitations, but he asserted that the differences were obvious. A response to the rejection was filed in September, 1993, but Examiner Matar was not convinced and issued a Final Rejection in February, 1994.

A continuation in part application was filed on June 2, 1994, in order to add further limitations to the application, which was assigned to Examiner Matar. Examiner Matar rejected all claims on August 10, 1994, on two grounds: 1) a Business Week

article and a New York Times article, neither of which disclosed any structure as defined in the claims. The Examiner stated that because the Business Week article stated that a company had been formed two and one-half years before the article, he was entitled to back date the reference as if it had been published 2 1/2 years earlier, a preposterous holding. He also again rejected the claims on the Kahn patent in combination with other references that failed to show the direct inward dial feature. In November, 1994, applicant filed a Rule 131 declaration, swearing behind the cited articles in the popular press. In January, 1995, Examiner Matar issued a Final Rejection, refusing to believe the sworn statements in the Rule 131 declaration. The Final was based in part upon newspaper and magazine articles that disclosed no structure whatsoever. The rejection was arbitrary and capricious, because none of the newspaper and magazine articles were dated before the date of the invention. The articles in the popular press had no structure at all, but the Rule 131 declaration was not considered because the Examiner did not believe the evidence submitted showed sufficient structure to constitute a reduction to practice. An appeal to the Board was filed in March, 1995, but no decision has been issued in the appeal in nearly three years.

In the meantime, the international callback industry was growing by leaps and bounds, with no reseller paying royalties on the use of the invention because no patent has issued.

The lawyers who are prosecuting the appealed application do not enforce patents, and only prosecute patent applications. After years of frustration with the

unconscionable delay in issuing the patent, and the arbitrary and capricious nature of at least one of the grounds of rejection, Paragon retained undersigned counsel, who primarily enforces patents in addition to secondarily prosecuting patent applications. Paragon is a small company, and has paid many thousands of dollars to prosecute the patent over more than five years of rampant infringement by numerous competitors of Paragon. It could not afford to pay fifty thousand dollars to obtain a patent, even though the prospects for damages or royalties from those in the industry that are using the invention are in the millions of dollars.

After diligent investigation, undersigned counsel devised a plan for collecting damages or royalties for the use of the invention by others. The first step of the plan was to file a Rule 60 continuation with revisions to overcome the many objections and rejections by Examiner Matar. The second step was to file a Petition to Make Special. The third was to interview Examiner Matar to see whether any agreement could be reached on patentable claims.

The present application was filed in February, 1997. Undersigned counsel called Examiner Matar and arranged an interview on February 14, 1997, a Friday. Undersigned counsel, who lives and practices in San Francisco, arranges as many items as possible for action on trips to Washington, D. C., because the cost of coach plane fare is now \$1800. I had an argument at the United States District Court for the Southern District of Florida on February 13 and a commitment in San Francisco on February 12, 1997, so the only possible day for an interview during the trip was February 14.

Examiner Matar stated that he did not work on Fridays, and February 14 was his wedding anniversary, so he did not want to have an interview on that day. I told him on the telephone how important the case was and that there had never been an interview in the parent case, and no patent had issued in four years. Examiner Matar reluctantly agreed to come in just for the interview on February 14.

When I arrived, the receptionist said that Examiner Matar was not in and did not work on Fridays. I asked to see his supervisor, and S.P.E. Zele contacted Examiner Matar, who flatly denied that an interview was arranged. Examiner Zele chose to believe Examiner Matar and not me, but she graciously agreed to grant an interview that afternoon.

The magazine article primarily relied upon by Examiner Matar in rejecting the claims in the parent case was The Economist article in the September 12, 1992, issue titled "International Telephone Calls, the Privateers." The passage relied upon by Examiner Matar is: "one of the best known discounters, 2 1/2 year old International Discount Telecommunication (IDT), uses third country calling to provide calls between countries." The claims in both the parent which is on appeal and in this application were rejected based on this slender passage in combination with other references. A rejection based upon that passage is capricious for three reasons:

- 1) the effective filing date of both the parent and the present applications is April 24, 1992, prior to the Economist article, so it cannot be prior art;
- 2) The passage has no disclosure of the invention claimed in either structure or method steps; and

3) the Examiner concluded that the article proved that "IDT made and used the invention in the U.S. on or before March 12, 1990," (Paper 14, page 13) by subtracting two and one half years to the day from the issue date of the Economist magazine containing the article.

At the interview with Examiner Zele, each of these three points were made. Because she had never seen the file before February 14, she was reluctant to make any commitments as to whether the rejection was capricious. She did agree that the fact that a company is two and one half years old is **not** proof that the claimed invention had been made and used in the U.S. by another on or before March 12, 1992.

The interview was utterly disregarded by Examiner Matar. In the first Office Action (Paper 14), the exact same rejection based on the Economist was repeated. There is a need for supervision of a renegade patent examiner that refuses to attend an interview, who lies about the fact that it had been arranged, and then disregards the conclusion reached at the interview that the rejection was not sound.

A second basis for seeking supervision is that a Petition to make Special was filed on March 13, 1997. Because the serial number of the continuation application filed in February was not known, the Serial Number in the caption of the petition was left blank, and a notation was made that the application was a continuation of the application pending before the Board. A courtesy copy of the petition was given to Examiner Matar, in order to speed up the consideration of this important matter.

Examiner Matar simply sat on the courtesy copy of the Petition to Make Special, even though he had been told repeatedly that the case is of extreme importance to

Paragon. The mail room noticed that the serial number of the parent case was on the Petition because applicant stated that the present application is a continuation of the parent and the new serial number was not known. The Petition was sent to the Board, because it was assumed to be in that case, the correct new serial number not appearing on the Petition. I called Examiner Matar several times to see about speeding up examination, and he said he could do nothing until a clerk assembled a physical file. The Petition to Make Special could not be acted upon because it had to be in a physical file. Instead of seeing to it that a file was prepared and the petition sent to a Petitions Examiner, he did nothing. There is a need for supervision of a public servant charged with responsibility for issuing patents. Clearly, Examiner Matar sees his function to be to **not** issue patents. Examiner Zele has not exercised her supervisory responsibilities in curbing a renegade Examiner, so this petition to the Commissioner is necessary.

Even though Examiner Matar had a copy of the Petition in March, 1997, no action on the petition took place for months. On June 3, 1997, Paragon sent a status inquiry as to the Petition to Make Special. Examiner Matar said his hands were tied because he could do nothing with respect to the courtesy copy he had had for three months.

On July 16, 1997, Paragon filed a Writ of Mandamus in the Federal Circuit seeking action from the Office, either by way of a decision from the Board in the 1994 application or from the Petitions Examiner in the 1997 application. The Federal Circuit has supervisory authority over the Commissioner, as well as the Board and Examiner

Matar. On July 24, 1997, the Court gave the Solicitor's Office thirty days to respond to the Writ.

The Solicitor's Office exercised the supervisory powers of the Commissioner, and saw to it that the Petition to Make Special was granted forthwith. Solicitor Ball called undersigned counsel when the petition had been granted and requested the withdrawal of the Writ of Mandamus. I indicated a reluctance to do so because the Writ also requested that a decision from the Board should issue. Mr. Ball said that the file showed that when the appeal was filed, notice was given that it was estimated to take two years to reach a decision. No Petition to Make Special had been filed in the parent case, so Mr. Ball suggested that the Writ should be withdrawn.

Because the whole purpose for the exercise of filing a continuation application was to reach a compromise permitting early issuance of a patent, undersigned counsel withdrew the Writ of Mandamus as a gesture of goodwill to Solicitor Ball. In retrospect, the very reasons for granting the Petition to Make Special in the present case apply equally to the parent case, and the Writ of Mandamus should have been pursued for action by the Board in the parent case.

Examiner Matar has issued two Office Actions after the interview with Examiner Zele on February 14, 1997. In each of them, he insists on rejecting claims under 35 U.S.C. § 103 based on art having a date **after** the effective filing date of the application. Examiner Zele agreed on February 14 that such a rejection is improper, but she has not exercised supervisory authority over Examiner Matar to rein in these improper rejections. A second interview was held with Examiners Zele and Matar on November

4, 1997, and again it was agreed that references dated after the effective filing date of the application could not serve as a basis for rejection on prior art. The Interview Summary Sheet expressly states that references like the International Callback Book, dated in 1995, are *not* prior art. Nevertheless, Examiner Matar continues to refuse to grant a patent, citing the International Callback Book.

The most recent occasion was December 10, 1997, when the inventor, Dr. Alleman, and I spoke with Examiner Matar by telephone. Dr. Alleman said that he had communicated with several persons having ordinary skill in the art at about the time the invention was made, and the invention was not obvious to any of those persons. Examiner Matar said that the evidence was not persuasive in view of the evidence cited in the 1995 International Callback Book. When it was pointed out in the telephone conversation that the International Callback Book is not prior art, Examiner Matar said he could rely on the reference for a 103 rejection even if it is not prior art.

There is a need for the Commissioner to discipline a renegade Examiner who refuses to follow the statute. Section 103 requires a consideration of "the differences between the subject matter sought to be patented and the prior art," not a comparison to more recent literature. Examiner Matar deliberately refuses to allow the claims based upon references that are admittedly not prior art.

Undersigned counsel again asked Solicitor Ball to exercise supervisory authority over Examiner Matar several months after the Petition to Make Special was granted. Mr. Ball agreed to look into the matter when I reminded him that I had withdrawn the Writ of Mandamus in the Federal Circuit at his request. Within twenty-four hours, I

received a call from Examiner Matar, who complained bitterly that I had contacted the Solicitor's Office. He ordered me to never contact anyone else regarding this application other than Examiner Matar. I have abided by that order until now. Now, however, there is a need for the exercise of supervisory authority either by the Commissioner or by the Federal Circuit through another Writ of Mandamus.

On December 30, 1997, Examiner Matar issued a Final Rejection that is 31 pages long. the same arguments are set forth in previous actions, and added for the first time a rejection based on a lack of enablement under 35 U.S.C. § 112 (page 4). Also, Examiner Matar relied on new art never before cited. All claims are rejected based on new "Exhibit C" (page 10). Exhibit C consists of two 1995 articles, which cannot be prior art in a case having an effective filing date of 1992. Examiner Matar says that Exhibit C "is not technically prior art" (page 11), but it "can be relied upon" in rejecting the claims. The article "You can't beat the price" has never been cited before, but it is not even listed on Form PTO-892 (paper 24). There is a need to supervise an examiner who issues a Final rejection on new art that is not listed on the Notice of References Cited. Moreover, the article merely describes the commercial importance of applicant's invention. It shows no structure, much less the structure of the claimed device. It is only evidence of the commercial success of the claimed invention. As such, it should *help* applicant, and could be cited in Reasons for Allowance by the examiner. It cannot be cited as prior art because it is not prior art. There is a need to supervise an examiner who refuses to follow the statute, and rejects claims on references dated three years after the effective filing date of the application.

Supervisor Zele has stated twice in this case that Examiner Matar cannot properly rely on references dated after the filing date of the application. And yet Examiner Matar persists in doing so, this time in a Final Rejection based on new art that is not prior.

Another new reference cited in the Final Rejection is the patent to Riskin. This is listed on the Notice of References Cited, and it is dated before the filing date, but applicant has never had an opportunity to respond to the citation. There is a need to supervise an examiner who refuses to allow an applicant to respond to new art.

The Riskin patent does not have anything to do with international callback. The combination of references in which it is cited (page 11) includes *five* different references. There is no teaching in any of them that they can be combined. There is a need for supervision of an examiner who strings together 5 references, including a new patent, in a final rejection.

It gets worse. At page 14, the list of references strung together increases to seven, including the newly cited Riskin patent. Examiner Matar is clearly out of control. This is not a matter for appeal to the Board. Rather, it is a matter for supervision by the Commissioner.

The value of time that I have devoted to this project over the last year exceeds \$55,000. There is a need for supervisory authority to serve the public more efficiently than to erect one roadblock after another that is in violation of law and is capricious. It is requested that the Commissioner investigate the refusal to grant a patent on an important invention based upon literature that is not prior art. A review of the procedure followed here is needed to control a renegade Patent Examiner.

I have devoted a year doing everything in my power to comply with the applicable law. Before I was retained, prior counsel spent years following the appellate process established for review of the actions of Examiner Matar. The problem is not a question of law. The problem is that Examiner Matar refuses to follow the law, and acts capriciously. Correction of that problem requires supervision either by the Commissioner or the Federal Circuit, not interviews, appeals, and five years of prosecution. The Office has not served this applicant fairly, even-handedly, or promptly. It is submitted that a Petition to the Commissioner is a proper vehicle to discipline a recalcitrant Examiner.

The Commissioner has recently taken the position that the Administrative Procedure Act applies to PTO proceedings (*In re Zurko*, Fed. Cir. No. 96-1258, argued December 2, 1997). Accordingly, this Petition also seeks relief under that Act. Please provide undersigned with copies of every document relating to this application and its parent and grandparent applications in the PTO. This includes all documents having to do with "the scope and contents of all papers, reports or examinations" 5 U.S.C. § 552(a)(1)(c); "final opinions, including concurring and dissenting opinions, as well as orders, made in the adjudication of cases" 5 U.S.C. § 552(a)(2)(A); and "the record after opportunity for an agency hearing (§ 554(a)).

Section 552(b)(3) of the Act states that the section does not apply to matters "specifically exempted from disclosure by statute," but the list of statutes in United States Code Annotated does not include any related to patent applications.

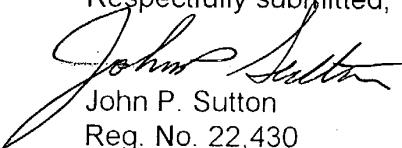
The PTO is asking the federal Circuit for less oversight of its fact findings by changing the review standard to that of the Administrative Procedure Act. The Administrative supervision of the staff in the present case has been non-existent, from all outward appearances. There is a need for public light to be shed on the administrative practices of the Commissioner in dealing with a renegade patent examiner who has no interest in issuing patents or following fair and just practices. This Petition is intended to not only advance the prosecution towards issuance of the patent, but to permit public observation of how the PTO acts. Section 552B)(b) requires "every portion of every meeting of an agency [to be] open to public observation." If the Commissioner wants the A.P.A. to apply to the PTO, it must open up the supervisory practices in preventing a renegade examiner from unwarranted delay and injustice.

Favorable and prompt action is solicited.

A check in the amount of \$130 is enclosed. Any additional charges may be charged to deposit account 024470.

Date: Jan 9 1998

Respectfully submitted,



John P. Sutton

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NEWS

RECD DEC 22 1997

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FOR IMMEDIATE RELEASE

October 24, 1997

International Telephone Market Grew 13 Percent in 1996

WASHINGTON, D.C. -- The world's cross-border telephone traffic grew 13 percent to reach 70 billion minutes in 1996, according to a new survey by TeleGeography, a research firm based in Washington, D.C. The value of the global market for international telephone calls increased to \$61 billion, an 11.5 percent jump over 1995.

The 90-country survey, entitled *TeleGeography 1997/98*, shows how alternative call routing methods and the marketing skills of upstart resale companies are driving growth in the international services market. In 1996, U.S. resale carriers alone billed 9 percent of the world's traffic, as compared to only 3 percent in 1995. These non-traditional carriers spurred the U.S. market to grow more than 20 percent in 1996, the biggest single year jump in over a decade.

"The high rate of growth in the U.S. was due to call-back, traffic refile, and aggressive marketing by dial-around carriers," said Gregory C. Staple, the report's editor. "Resale in the U.S. accounted for one in three international minutes, as second tier companies began to take advantage of the liberal U.S. rules on resale and call-by-call carrier routing."

Despite strong global growth, 1996 was not a banner year for some of the world's largest carriers. In Europe, where traffic only increased 9 percent, Deutsche Telekom saw its outgoing traffic actually decrease. BT's market share in the U.K. dropped to 60 percent under heavy competition from international private line resellers. Also, Hongkong Telecom was hit hard by call-back services in 1996, with only 3 percent growth of outgoing calls but incoming growth of 18 percent. And in the U.S., AT&T's market share of international call volume contracted to 50.1 percent, from 54.3 percent in 1995.

The study also chronicles the changing technological and economic challenges facing international telecom companies. According to Mr. Staple, "Competition for Internet backbone facilities and services is the new battleground for international carriers." The report forecasts a tenfold increase in transoceanic cable capacity between 1995 and 2000, sparked largely by the growth of the Internet.

Several articles in *TeleGeography 1997/98* also explore the impact of the February 1997 WTO Basic Telecommunications Agreement. Alex Arena, the former Hong Kong chief telecom regulator, presents a behind-the-scenes account of the WTO agreement, which he calls "the greatest influencing event on the industry for at least the next ten years."

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February 3, 1998

Examiner Krista Zele
U.S. Patent and Trademark Office
Washington, DC 20231

Re: Applicant - Alleman
Serial No. 08/798,115
INTERACTIVE TELEPHONE SYSTEM FOR MAKING
LOW COST LONG DISTANCE TELEPHONE CALLS
Our Ref: 98-0032

Dear Ms. Zele:

Please find attached a copy of the Petition filed in your Group on January 12, 1998. The Petition was forwarded to Finance Branch to have the check processed. With the check having been received, the Petition itself is due to be acted on and we supply this second copy for appropriate action. Please act on the Petition as soon as possible so that we may avoid the delay with the original Petition being in Finance Branch. If you have any questions regarding this communication, please feel free to call me at (703) 415-0100 so that we may resolve any issues.

Respectfully submitted,


Christopher J. McDonald

CJM:eb
Enclosure